Quarterly Report II/2013

Business Development

In line with our expectations, the current economic downturn affected all portfolio companies of the PCC Group in the course of the second quarter of 2013. Consolidated sales amounted to €167 million in the second quarter of 2013, up €8 million from the previous quarter, while cumulated half-year sales as per 30 June 2013 reached €326 million, which corresponds to the level of Forecast I for the current fiscal year. However, this result fell short of the figure reached in the first half of 2012 by €6.0 million. Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) improved by €7.6 million compared to the first three months of 2013, reaching +€19.5 million (first half of 2012: +€20.5 million). This figure was only slightly lower than expected. The latter goes also for earnings before tax (EBT): Nevertheless, that figure decreased to -€1.3 million at the end of the first half of this year on the back of significantly higher amortisation due to implemented investment projects and higher debt service expenditures in the second quarter of 2013.

The Chemicals division, being the main source of revenues and earnings of the PCC Group, generated external sales of €152 million in the second quarter of 2013. Cumulated sales for the first half of the year ending on 30 June 2013 thus reached €299 million. This figure corresponds both to the level of the presently valid forecast for the current fiscal year and to the level of the same period of the previous year. The division's operating income (EBITDA) increased by €10.8 million in the second quarter of 2013, reaching +€23.2 million as per 30 June 2013, which was by and large in line with our expectations. Again, this result was decisively influenced by PCC Rokita SA, Brzeg Dolny (Poland). The current economic downturn and the associated lower demand did affect this portfolio company, causing lower sales volumes and prices in its polyols and chlorine product segments. However, this was compensated by lower commodity and energy prices. The surfactants segment, including PCC Exol SA, Brzeg Dolny, and PCC Chemax, Inc., Piedmont (SC, USA) also closed the second quarter of 2013 with an overall profit that was slightly higher than forecast. This product segment also noted decreasing sales volumes and revenues in the second quarter due to the economic downswing, which were countered by cost savings on the commodity side. The subgroup PCC Consumer Products S.A., Warsaw, continued its favourable business development in the second quarter of 2013. However, due to the loss of a large client (following the sale of that client's activities to a large competitor) of Kosmet-Rokita Sp.z.o.o., a producer of laundry and cleaning detergents belonging to this subgroup, sales and earnings of this product segment came in slightly below our expectations. Business development of PCC Synteza S.A., Kędzierzyn-Koźle (Poland) remained in the negative zone in the second quarter of 2013 due to the continued weak demand for the company's alkylphenols.

In contrast, both trading companies of the PCC Group – PCC Carbo Chem GmbH, Duisburg, and PCC Morava-Chem s.r.o., Český Těšín (Czech Republic), delivered positive overall results in the second quarter of 2013, which were in line with the forecast for the current fiscal year. In particular, trade in coke and anthracite for the steel, metallurgical, and foundry industries has picked up considerably since the end of May 2013 compared to the previous months, which can be interpreted as an early indicator of an upswing – even if modest – in the coming months. In the long term, this favourable trend should affect the whole Chemicals division.

The Logistics division of the PCC Group generated external sales of approximately €11 million in the second quarter of 2013, taking cumulated sales for the first half of 2013 to nearly €20 million. The division's half-year sales were thus both lower than forecast for this period (-€1.7 million), and lower than in the same period of the previous year (-€3.7 million.) The division's operating income before interest, taxes, depreciation and amortisation (EBITDA) came in at +€0.2 million, unchanged from the previous quarter, taking it to +€0.4 million as per the end of June. On a positive note, PCC Intermodal S.A., Gdynia (Poland) – the dominant company of the PCC Group's Logistics division – managed to continue the improvement of its earnings situation. Since April 2013, this portfolio company has continuously recorded modest profits – with an upward trend. Apart from further cost-related savings, the company was also successful in the second quarter of 2013 in its sales efforts:

Key figures of the PCC Group[1]	Q2/2013	as per 30/06/2013
Consolidated sales:	**€167 million**	**€326 million**
Sales of the Chemicals division:	€152 million	€299 million
Sales of the Logistics division:	€11 million	€20 million
Sales of the Energy division:	€2 million	€4 million
Sales of Other Shareholdings division:	€2 million	€3 million
EBITDA[2] (Operating result):	**+€7,6 million**	**+€19,5 million**
EBT (Earnings before Taxes):	**-€2,7 million**	**-€1,3 million**

Rounding differences may occur

1 unaudited
2 EBITDA = Earnings before Interest, Taxes, Depreciation and Amortisation

Former customers were regained, and new customers acquired. As per 30 June 2013 PCC Intermodal S.A. still incurred a slight loss, but the result was considerably better than expected for the first half of this year. In contrast, sales and earnings of Russia's wagon operator ZAO PCC Rail, Moscow, remained below our expectations in the second quarter of 2013. Apart from decreasing wagon leasing rates in Russia, exchange rate effects are the main reason for this development. PCC Autochem Sp. z o.o., the road tanker company from Brzeg Dolny, again closed the second quarter of 2013 with a profit.

Business operations of the Energy division of the PCC Group continue to be focused on Poland-based energy and heat provider PCC Energetyka Blachownia Sp. z o.o., Kędzierzyn-Koźle. That company's sales of nearly €2 million in the second quarter of 2013, or €4.4 million for the period ending on 30 June 2013 is largely identical with the division's overall sales. PCC Energetyka Blachownia Sp. z o.o. also generated the largest share of the division's operating income (EBITDA) amounting to +€0.5 million in the first half of 2013. At the Macedonian hydropower plant projects of PCC DEG Renewables GmbH, Duisburg, considerable construction progress was achieved in the second quarter of 2013. This currently remains of minor relevance for consolidated earnings, but will have a long-term positive effect on sales and earnings.

The holding company PCC SE, Duisburg, registered successive dividend payments in the second quarter of 2013, including payments from PCC Exol SA and PCC MoravaChem s.r.o. However, these payments and cost allocations were not sufficient in the second quarter of 2013 to cover overall costs including debt service. Due to this, earnings of PCC SE decreased compared to 31 March 2013, but were still in the black for the first half of 2013.

PCC Rokita SA distinguished as "Reliable Employer"

PCC Rokita SA is one of Poland's largest chemical companies and the largest one in Lower Silesia, where it is also one of the most important employers. On 11 June 2013, this chemical subsidiary of PCC SE was recognised as a good employer for the second time, when it received the "Reliable Employer 2012" award on the national level. The contest is conducted under the auspices of "Rzeczpospolita", a renowned Polish daily. PCC Rokita SA was awarded the "Reliable Employer of the Year" title for the first time for 2010, back then in the regional contest.

To motivate its decision, the contest jury writes: "There is no doubt that PCC Rokita SA is a company that can be commended for a career start as well as for long-term employment. The company's strengths are in its extensive training programmes directed at employees from various departments and levels, as well as in its broad cooperation with educational institutions."

In recent years, PCC Rokita SA also received a range of other awards, including the business prize "Lower Silesian Griffin 2006" awarded by the Wrocław Chamber of Commerce and the Polska Miedź Employers' Association. In January 2011, PCC Rokita SA was awarded the title of a "Pillar of the Polish Economy" by "Puls Biznesu", the Polish business daily.

UN registers PCC's climate protection project in Macedonia

On 15 April 2013 and with retroactive effect from 19 December 2012, UNFCCC – the climate protection authority of the UN – officially registered PCC's small hydropower plants in Macedonia as climate protection projects under the provisions of the Kyoto Protocol. Once the power plants have been operational for at least one year, the first allocation of the corresponding emission certificates by the UN will be effected. PCC DEG Renewables GmbH (a joint venture of PCC SE and DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, a subsidiary of the KfW Bank) can expect to receive them from 2015.

The climate protection project, also called "Clean Development Mechanism" project, comprises PCC's four small hydropower plants "Gradečka", "Galičnik", "Patiška", and "Brajčino" in Macedonia. The first-mentioned of these started its trial run in July 2013; the other three are currently under construction and expected to be completed by the end of 2013. After their connection to the public grid, these four power plants with an overall power generation capacity of 4.1 MW will help avoid CO_2 emissions of approximately 15,000 tonnes each year. They also expand the electricity generation capacities in the countries concerned, thereby helping to reduce power shortages.

In total, PCC plans the construction and launch of eleven eco-friendly small hydropower plants at sites in Bosnia and Herzegovina, Macedonia, and Bulgaria. This portfolio of power plants is scheduled to be completed by 2014/2015 and will facilitate an overall annual reduction of CO_2 emissions in these countries by 80,000 tonnes.

Annual Report 2012 of PCC SE available

The Annual Report 2012 of PCC SE (Consolidated Financial Statements) is now available for download from the Internet at www.pcc-financialdata.eu.

PCC SE - Public Relations
Moerser Str. 149, D-47198 Duisburg
Phone: +49 (0)2066.201935
Fax: +49 (0)2066.201972
E-mail: pr@pcc.eu
www.pcc-financialdata.eu

PCC SE - Direktinvest
Baumstr. 42, D-47198 Duisburg
Phone: +49 (0)2066.908090
Fax: +49 (0)2066.908099
E-mail: direktinvest@pcc.eu
www.pcc-direktinvest.eu